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# Minutes

## Board of Natural Resources Meeting

November 6, 2007  
Natural Resources Building, Olympia, Washington

### BOARD MEMBERS PRESENT

Doug Sutherland, Commissioner of Public Lands  
Terry Bergeson, Superintendent of Public Instruction  
Bob Nichols, for Governor Christine Gregoire  
Bruce Bare, Dean, University of Washington, College of Forest Resources  
Jon C. Kaino, Commissioner, Pacific County

### BOARD MEMBERS ABSENT

Daniel J. Bernardo, Dean, Washington State University, College of Agricultural, Human, and Natural Resource Sciences

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### CALL TO ORDER

Chair Sutherland called the meeting to order at 9:07 a.m. on, November 6, 2007 in Room 172 of the Natural Resources Building.

### APPROVAL OF MINUTES

MOTION: Jon Kaino moved to approve the October 2, 2007 Board of Natural Resources Meeting Minutes.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

### PUBLIC COMMENTS FOR AGENDA ACTION ITEMS

Rance Block approached the Board in support of the Central Cascade Land Exchange on behalf of the Elk Foundation and their partners the Kittitas County Field and Stream Club, the National Wild Turkey Federation, the Mule Deer Foundation and the Northwest Wildlife Council. Mr. Block referenced a 1999 DNR press release that addressed growth in the state and how it will affect highways, housing, schools, and natural resources. He felt that the growth will have significant impacts on the current checkerboard ownership pattern. Each of the organizations he mentioned is in favor of DNR blocking up large landscapes in order to manage the trust lands for revenue, wildlife and recreational opportunities.

Helen Engle, of the Audubon Society addressed the Board in support of the Central Cascade Land Exchange. She thanked Steve Saunders, George Shelton, and Gene Williams for their

collaboration with the Audubon Society. They see the exchange as a one time opportunity to consolidate public holdings while preserving public access and provide preservation from development.

Anita Boyum addressed the Board representing the Trust Land Taskforce for the Washington State School Directors Association in support of the Central Cascade Land Exchange.

Bill Robinson from The Nature Conservancy addressed the Board in support of the Central Cascades Land Exchange. He commended DNR staff for their hard work and cooperation in working with his organization and other communities around the state, he added that they have been professional and have represented the Department very well.

Bridget Moran (Handout 1), Environmental Policy Lead for the Washington Department of Fish & Wildlife (WDFW) shared the agency's support for the Central Cascade Land Exchange with the Board. She provided a comment letter that WDFW had already sent in and thanked DNR staff for addressing some of the individual parcels that were identified in the letter.

Bob Dick provided the Board with his support of the Central Cascade Land Exchange.

Bill Essman, President of the Kittitas County Field & Stream Club in Ellensburg shared his club's support of the Central Cascade Land Exchange.

### **TIMBER SALES (Action Item)**

#### Proposed Timber Sales for December 2007 (Handout 2)

Jon Tweedale provided a marketing update to the Board. He began by explaining that the market for lumber is difficult on the pricing side, because the industry cost structure has been contained, there is reason for optimism since industry structure is sound. The northwest industry cost structure shows a significant drop in the throughput costs which lessens the impact of this downturn in lumber prices. In addition, a rolling shutdown of lumber mills is occurring to control inventory. Mr. Tweedale is not expecting much activity because of these factors, but holds optimism for the future months going into spring.

Ms. Bergeson asked if the industry is becoming more efficient so that if they take a hit they can sustain it.

Mr. Tweedale replied that he believes this is true.

Chair Sutherland asked if Mr. Tweedale has had conversations about what the duration of the market softening will be.

Mr. Tweedale replied that some buyers' groups and mills are predicting mid to late 2008 or 2009.

Chair Sutherland asked if he sees any shifts in the products coming out of timber lands.



Mr. Tweedale replied that the segments of the market that are strong are the board side of the market, including 2x10's, wide dimensions, beams, and products where more value added products can be manufactured such as doors and windows. DNR has shifted and added capacity in our pole production, which is a high value product for the trusts.

Ms. Bergeson asked what a distribution pole is.

Mr. Tweedale explained that transmission poles carry the main load of electricity, and the distribution poles go from the substations to the homes and communities.

Mr. Tweedale went on to explain that DNR is proactive in looking at our sales mix, and targeting the strength of the market; every sale has a component of the low end of the market which means we need to look hard at our appraisals and be very careful. Mr. Tweedale explained that the team is always three months behind in appraising sales so the log price information from the mills is always three months behind in the market. We get caught behind the curve when the market drops like it has recently. In this kind of market the only thing DNR can do is go with the market and try to appraise sales as close to the market as possible. Because we were three months behind we had a number of no bids.

Mr. Bare recalled conversations at the last two Board meetings about the softening of the market and expressed his concern about the beneficiaries of the trusts and what lies ahead in the rest of the fiscal year. We are now a third of the way through the fiscal year, and have sold about 100 million feet; the harvest level for the year was set at 657. Mr. Bare asked if there is anticipation that we will meet the 657 number.

Mr. Tweedale stated that they anticipate the 657 delivered. He explained to Mr. Bare that because of all the factors he mentioned earlier, and because we are heading into the end of the calendar year, and the industry operates on the calendar year, he does not think there will be much purchase activity going into the end of the year. It will be another month before we are able to make a decision as to whether we'll be able to sell the 657. They have adjusted prices over the last several months because concern was raised several months ago when we were selling everything that perhaps the appraisals were coming in too low. They do track the market and have done some analysis on the next two months of sales and have adjusted prices; this month we experienced a 60% no bid ratio, next month we anticipate a much lower level of no bids because we are catching up to the market and in December we expect to be caught up to where the market is. We will deliver the 657, but whether we sell it or not isn't predictable.

Mr. Bare stated that he used the word delivered and he is more interested in the sales. For the first third of this fiscal year, a third of what we've offered hasn't sold. He is aware that they won't catch up in November /December but we'll have to be optimistic.

Mr. Tweedale reiterated that what we can control we will, but what is unknown, we can only project; that's why we are not able to make any changes in our sold volume at this point.

Mr. Kaino stated that there could come a point where it may not be in our best interest to push 657 mmbf of volume in a down market.

Mr. Tweedale replied that because of the current market they are planning to wait another couple months before they come back to the Board and say that this is not in the best interest of the trusts.

Mr. Bare asked about the situation with the Canadian soft wood lumber agreement.

Mr. Tweedale explained that the softwood lumber agreement quota's and the currency difference as compared to the U.S., makes the industry situation in Canada difficult.

Chair Sutherland asked if he had seen any changes in the export market with the significant change in the value of the dollar.

Mr. Tweedale replied that the export market has been good. Imports on the east coast from the European companies have slowed down because of the exchange rate differences. He went on to explain that in terms of exportability the US dollar is at an advantage because the cost structure is low enough, but we also benefit from a devalued dollar relative to other countries, so a lot of companies are expanding their exports.

Chair Sutherland stated that it pulls product out of the domestic market.

Ms. Bergeson asked if they will base their decision about whether to change the target if the sales come forward and we have to drop the prices too much.

Mr. Tweedale agreed saying that the Board has the ability to adjust the sales 25% up or down, and it is an opportunity to look at it and see if it makes sense. The price of stumpage today is still well above four or five years ago when we were at a \$235 range. The sales today are averaging \$360, even with the sales that don't sell. Because we are able to sell to the niche market where we have higher value products, we can't control the commodity side but we can make adjustments.

Mr. Kaino stated that there has been a drastic shift from previous month's sales and hopefully it is short term.

Chair Sutherland asked if the no bids will be brought back.

Mr. Tweedale stated that they are bringing them back in the market window that they feel is the best time for selling that type of wood.

Mr. Kaino noted that he saw that they had brought one back for approval today.

October Sales Results:



15 sales offered & 7 sold; 54.2 mmbf offered & 22.9 mmbf sold; \$16.8 million minimum bid & \$22.9 million sold; \$311/mbf offered & \$329/mbf sold; average number of bidders = 3.1

Proposed December 2007 Board Sales:

12 sales at 51.2 mmbf; \$13.7 million minimum bid; average \$268/mbf.

Mr. Tweedale explained that they have adjusted prices accordingly for the past several months and their analysis shows that they have caught up with the market which was about a 10 to 12% drop.

Mr. Kaino asked if there is another sale in November that has been approved.

Mr. Tweedale confirmed that we do, and that as he mentioned earlier, they had looked at those sales and based on prices that were used for current appraisals he anticipates a fair amount of no bids, but not to the extent that was experienced in October.

Mr. Kaino asked if it is appropriate for the Board to discuss the potential to adjust those numbers.

Mr. Tweedale stated that the reality is that we forget that this Board is the Board of Appraisers. Once you approve a sale you have taken a board action; board actions have a thirty day appeal period to superior court, and the appeals are normally a SEPA appeal. If we adjusted the sales we would restart the appeal of board action (sometimes SEPA) clock, which would put us out 30 days before we could bid the November sales, and would double the sales in December.

Mr. Kaino asked why we need to do anything with SEPA to change the minimum bid price.

Mr. Tweedale replied that it has to do with triggering a potential SEPA appeal because we cannot forget that this Board has appraisal functions.

Chair Sutherland explained that it is one of the things we are required to do.

Mr. Kaino asked if the clock has already been started for SEPA why would it have to start again.

Mr. Tweedale replied that it is a statute that requires a period of time to be able to appeal the Board's decision.

Mr. Herman addressed the Board to explain that it doesn't restart SEPA, it's an appeal period. The Board could revisit the decision that was made last month for November timber sales, but it would open up an opportunity to appeal that for another 30 days. The risk would be that if you change that and we went to auction in a couple of weeks, someone could appeal that and now we would have three parties interested in the sale.

Mr. Kaino asked if this is true even if you didn't change anything that was related to SEPA

Mr. Herman explained that the Board could revisit the decision but run the risk of getting entangled in three parties arguing over the decision.

Ms. Bergeson asked Mr. Kaino if he is bringing up the possibility of revisiting the decisions that the Board made in October on the November sales taking into account the market prices.

Mr. Kaino responded saying that this exactly what he is proposing because it would be coming to the Board with a month's more market knowledge allowing them to determine if they want to lower them or pull the sale.

Mr. Herman explained that one advantage is that the market can indicate what they are willing to pay for the November sales, and because they can go no bid, they can be re-offered.

Mr. Kaino assumed that the SEPA issue would still be there.

Mr. Herman explained that we do, but the sales can be added back to the regular sales mix and go forward again with an adjustment price.

Chair Sutherland thanked Jed for his input

Mr. Tweedale continued on with two December sales SEPA comments. They have dealt with the comments on the Snahappe sale from Olympic Forest Coalition. Secondly, a landowner adjacent to the Weald sale was concerned as to whether we were leaving enough buffer for a fish stream. Staff met with the individual and they are happy with our response.

MOTION: Jon Kaino moved to approve the December, 2007 timber sales.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

The Board dispersed for a ten minute break.

## **LAND TRANSACTIONS**

Chair Sutherland asked Bill Boyum to provide the Board with the current status of DNR's agriculture leases for the production of grains, in light of the increases in the commodities this year.

Mr. Boyum greeted the Board and reminded them that the last time he reported to them we had roughly a half million bushels of grain to sell this year. The Department is about 55% through those sales which have accelerated because the prices are good; timber may be down but the grain crops are up. The highest were sold for \$10.40 a bushel; the price at the end of October was still \$9.70, this represents a double return from what has been done in any other year.



#### North Medical Lake 80 #02-080976 (Handout 3)

Roger Huestis came forward to present the North Medical Lake 80 transaction. He explained that this transaction is a direct transfer with the Washington State Department of Veterans Affairs for a veteran's cemetery. This parcel is located in Spokane County, 12 miles southwest of Spokane, a half mile west of the Fairchild Air Force Base, and about a half mile out of Medical Lake. The parcel consists of 80 acres of common school trust, which is zoned rural traditional, 1 unit per 10 acres. The property is appraised at \$270,000 or \$3,375 per acre. The Department recommends approval for the direct sale to the Department of Veteran's Affairs.

MOTION: Terry Bergeson moved to approve resolution 1244.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

#### Central Cascade Land Exchange #86-079379 (Handout 4)

Steve Saunders, Asset Management & Protection Division Manager introduced Bob Winslow, Project Manager and George Shelton, State Lands Assistant from Southeast Region to the Board. He went on to provide an overview & chronology of the presentation.

- Two party exchange with the Department of Natural Resources (DNR) and Western Pacific Timber, LLC (WPT).
- Exchange out of 20, 970 acres of predominantly isolated, low revenue generating and difficult to manage trust lands throughout the state
- Exchange into 82,548 acres of private timber lands in checkerboard ownership with state trust lands along the east slope of the cascades

Mr. Saunders reviewed a map of the exchange lands identifying the current checkerboard ownership pattern. He pointed out a couple of smaller exchanges with private parties and one larger exchange with WDFW. The purpose of all these exchanges is to block up DNR's checkerboard ownership so our properties are up against the forest service lands as much as possible, and so the Department has good, operating sustainable landscapes not only for timber production and revenue generation but also for habitat management and recreation. This is the first step of this concept and it is a major component of getting these lands blocked up.

#### Chronology:

- Since 1950's: DNR interested in resolving challenges posed with checkerboard ownership
- 1995-2003: DNR in discussions with Boise Cascade
- 2005: Sale of lands by Boise Cascade to Gallatin and then to WPT. WPT initiates exchange discussions with DNR.
- Spring – Summer 2005: Initial exchange parcels identified (50,000 ac. DNR, 80,000 ac. WPT)
- Fall 2005: Letter of Intent signed
- Fall 2005: Start of initial outreach meetings; Cascade Land Conservancy, Yakama Nation, Trust for Public Lands, The Nature Conservancy, Sierra Club, Conservation NW, WDFW.

- Winter – Spring 2006: Continue outreach meetings; Mountains to Sound Greenway, Columbia Land Trust, Rocky Mountain Elk, WA Audubon, Gray's Harbor Audubon, Back Country Horsemen, Skokomish Tribe, Clark County, Chelan County, Klickitat County, U.S. Fish & Wildlife Service, Wenatchee Sportsmen's Congress, Kittitas Field and Stream Club, Mule Deer Foundation, and the National Wild Turkey Federation
- Summer 2006 : Title review initiated and appraisal contracts let on 30,000 state trust acres
- Fall 2006: 11 exchange open houses; Clarkston, Tri-cities, Everett, Hoquiam, Suncrest, Colville, Okanogan, Wenatchee, Ellensburg, Goldendale, Longview
- Summer 2007: Appraisals completed
- Fall 2007: Exchange agreement negotiated on 20,970 acres trust lands and 82,548 of exchange lands
- October 2007: Exchange agreement signed
- November 2007: Board of Natural Resources
- January – February 2008: Closing of exchange
- February – July 2008: Post – closing actions

Ms. Bergeson asked who attended the open houses and how they were advertised.

Mr. Saunders explained that they have maintained an active mailing list on all the exchanges in terms of normal outreach. They also had the South Stevens exchange which doesn't directly impact the blocking up area, but is one that we are very active in. Most of the parcels are northwest of Spokane in the Suncrest area. Because we had active properties throughout the state on that exchange we wanted to include it as well. We thought it was important to get out and meet with the public to let them know what were doing and to provide them with an opportunity to let us know about any concerns they had.

Ms. Bergeson asked if the open houses were as much about the general strategies of exchanges and why we do them, as it was about the specific properties in their part of the state.

Mr. Saunders agreed saying that we wanted to let them know what we were doing as part of the exchange process and what our objectives were. We had listening posts for each exchange, for example, Clarkston was mostly focused on the South Stevens exchange, virtually all the exchanges touched the Tri-cities and were moderately attended, Everett was mostly the Central Cascades exchange as well as some other properties we have in that area in the exchange with WDFW, Hoquiam was the same, Suncrest had about 300 people in attendance who were very concerned about the South Stevens exchange and exchanging out of trust lands in that rapidly urbanizing area. The primary interests in Colville, Okanogan and Wenatchee were associated with the WDFW exchange and grazing access issues. Wenatchee also involved the Stemilt parcels which were subsequently pulled from the Central Cascades exchange. Goldendale was primarily an access issue. Average attendance was 40 – 50 with the exception of Suncrest. There were about 100 people present in Goldendale for the initial meeting.

Ms. Bergeson asked if this affected some of the final results.



Mr. Saunders explained that they did. We started with 50,000 acres, took 30,000 out and are bringing the Board a proposal of 21,000 acres. There are a lot of parcels that were removed from the exchange for various reasons.

Chair Sutherland stated that all together the 5 exchanges were in 26 of the 39 counties.

Mr. Saunders noted that there were additional public hearings in the Suncrest area above and beyond what was required.

Mr. Kaino asked if they are well beyond any of the legal requirements for the public input.

Mr. Saunders replied that we have been transparent and open and have encouraged as much public involvement as possible in these transactions.

Ms. Bergeson asked if these sessions helped to drive the shape of the deal they were constructing.

Mr. Saunders agreed, saying that the individual meetings were critical to help educate the local, state, federal agencies, the Tribes, and key stakeholders groups about what we were doing and to address any concerns or questions they had through a series of one on one meetings before we went out on the public open houses. This was all before the single legal requirement of public hearings. We recently signed the exchange agreement with WPT and today we are here bringing this before the Board. The actual closing will begin in January and February. In closing, he recognized the WPT transaction team for their hard work.

George Shelton addressed the Board to discuss the issues with checkerboard ownership:

- Challenge to implement Policies for Sustainable Forests (PSF)
  - Property lines don't match eco-physical boundaries
- Increased management costs
  - Road duplication, survey
  - Incompatible neighboring uses
- Does not allow for landscape-level management
  - Habitat fragmentation
  - Precludes options such as prescribed fire
- No certainty for long-term trust management

The land exchange provides for:

- Protecting and ensuring a sustainable and defensible working forest land base
- Central Cascades exchange allows for predictable, sustainable returns to the Trusts
- Enhancing ability to provide long-term public access

The land exchange will allow for:

- Greatly increased efficiency
  - 500 fewer miles of survey
  - Optimize road system: remove unneeded segments, build in best location

- 7,000 acres of current ownership can now be accessed
- Opportunity to implement landscape goals of PSF, HCP
- Greater range of management alternatives
  - Reintroduce fire and create shaded fuel breaks
  - Landscape-level forest health treatments

Central Cascades exchange will allow us to:

- Create a long-term, defensible, sustainable resourced for the Trusts and public – a true working forest!
- Protect trust assets from catastrophic disease, fire, and population growth impacts
- Produce steady, reliable returns to the trusts
- Achieve PSF, HCP, FP, trust and social objectives
- Provide compatible recreation opportunities and public access

Bob Winslow provided the Board with the transaction criteria.

- Enabling Act
  - Equal value & as close as possible in acreage
- RCW's; primarily 79.17.010
  - Consolidate and block-up state lands
  - Facilitate the marketing of forest products of state lands
  - Acquire lands having commercial recreational leasing potential
  - BNR determines proposal in interest of the trusts
  - No loss of public forestland acres

State Exchange parcels:

- State exchange parcels are scattered in nature and located in portions of the following 15 counties: Clark, Cowlitz, Douglas, Kittitas, Klickitat, Lewis, Mason, Pacific, Pierce, Snohomish, Spokane, Stevens, Thurston, Whatcom, Yakima
- Total State exchange acreage is 20,970 acres +/-
- Trusts with parcels involved in the exchange are the following: Common School (03), Escheat (9), Capitol (7), Normal (8), Scientific (10), University (11)

Mr. Winslow reviewed several maps with the Board that reflect where the parcels are located.

WPT Exchange parcels:

- WPT exchange parcels are checkerboard in nature and located in portions of Kittitas and Yakima Counties
- Total WPT exchange acreage is 82,548 acres +/-

DNR State Trust Lands Appraisal Value (Market Value)

- Entire exchange balanced
- Balance falls within 1/10,000th of one percent
- DNR convey \$56,549,000 & DNR receive \$56,555,000 of real property
- Net increase in Market Value of +\$ 6,000

DNR State Trust Lands Acreage Summary



- Transaction results in a net gain of 61,578 acres
- DNR convey 20,970 acres & DNR acquire 82,548 acres.
- Acreage gain for overall transaction of 294%

#### State Trust Lands Timber Volume Summary

- Transaction results in a net gain of 8,287 MBF
- 8.4% gain in volume
- Convey 99 million BF and DNR acquire 107 million BF
- Volume spread over more acres and some near term harvest but most harvest will occur as stands continue to mature.

Mr. Kaino asked if what we are trading is mature timber volume for less mature timber volume.

Mr. Winslow agreed but explained that a lot of the parcels may have mature timber and the highest and best use for most west side exchange parcels is rural residential housing. The DNR true forestry exchange lands are primarily scattered parcels down in Klickitat County and will remain forestland.

Mr. Kaino stated that some of those west side parcels are in a transitional area but have been managed for forestry historically. He understands that we are trading west side mature timber from high site class, for eastern slope, less valuable per board foot

Mr. Winslow replied that this was partially correct but most of the timber actually came from the east slope of the cascades parcels.

Mr. Kaino pointed out that there has to be something that balances out the values.

Mr. Winslow explained that the acreage expansion effect will play into the asset appreciation. While the eastern Washington properties are less productive for timber growth per acre, the trusts will have substantially more acres of forestland under ownership after the exchange. Eastern Washington has also had tremendous growth over the past few years which will push the land market value up in the future. Historic harvest and management of WPT should result in thriving stands and will add timber volume increment over time. DNR is in this for the long haul, unlike WPT who will receive liquidity.

Mr. Kaino asked if this impacts the trusts negatively or do we have enough base that offsets this

Mr. Winslow replied that he sees this exchange as a gain. Because of the checkerboard nature there is significant timber on adjacent sections of trust ownership. There is one billion board feet of trust timber in the adjacent ownerships, so DNR already has a huge investment in these areas and this will help compliment the assets we already have and make them more sustainable and more manageable and able to tap into that existing timber income while the timber on newly acquired lands grows out.

Chair Sutherland asked if it provides significant access to current ownership that we don't have access to.

Mr. Winslow replied that now that we have contiguous ownership and unrestricted legal access it pulls the market value of all those other checkerboard parcels up which amounts to millions of dollars of additional gains for the trusts.

#### Common School & Escheat (03, 09) Appraised Value (Market Value)

- Common School and Escheat appraised value is balanced with a -0.1% change
- Convey \$50,795,000 and receive \$50,749,580 of real property
- Market Value change of -\$45,420

#### Common School & Escheat (03, 09) Acreage Summary

- Common School and Escheat trusts have a net gain of 56,643 acres
- Convey 19,290 acres and receive 75,933 acres
- Acreage gain of 294%

#### Capitol Trust (07) Appraised Value (Market Value)

- Capitol trust appraised value is balanced with a +1.5% change
- Convey \$1,517,000 and receive \$1,539,000 of real property
- Market Value change of +\$22,000

#### Capitol Trust (07) Acreage Summary

- Capitol Trust has a net gain of 753 acres
- Convey 572 acres and receive 1,325 acres
- acreage gain of +132%

#### Normal School Trust (08) Appraised Value (Market Value)

- Normal School appraised value is balanced with a +0.5% change
- Convey \$2,066,000 and receive \$2,076,000 of real property
- Market Value change of +10,000

#### Normal School Trust (08) Acreage Summary

- Normal School has a net gain of 1,934 acres
- Convey 522 acres and receive 2,456 acres
- Acreage gain of 370%

#### Scientific Trust (10) Appraised Value (Market Value)

- Scientific Trust appraised value is balanced with a +1.0% change
- Convey \$1,622,000 and receive \$1,638,000 of real property
- Market Value change of +\$16,000

#### Scientific Trust (10) Acreage Summary

- Scientific Trust has a net gain of 1,757 acres



- Convey 470 acres and receive 2,227 acres
- Gain of 374% in acres

#### University Original Trust (11) Appraised Value (Market Value)

- University Original Trust is balanced with a +0.6% change
- Convey \$549,000 and receive \$552,420 in real property
- Market value change of +\$3,420

#### University Original Trust (11) Acreage Summary

- University Original Trust has a net gain of 491 acres
- Convey 116 acres and receive 607 acres
- Acreage change is 424%

#### Mineral Rights

- All trusts will reserve the subsurface mineral rights they currently possess. Outlined in Resolution.
- Exchanger will reserve the mineral rights they currently possess. Many of the exchanger parcels mineral rights were formerly reserved by previous owners. Outlined in Resolution.

#### Public Comments - Summary

- Extensive outreach performed for exchange: Direct notification & outreach, press releases, 11 workshops, 4 hearings, internet information, DNR newsletter, legal advertisements, testimony at the BNR meeting.
- Vast majority of people sending letters were in support: 662+/- in support and 25+/- in opposition or raised concerns with certain parcels.
- Summary of hearing comments provided to Board members in mail-out packet. Majority of hearing testimony was in support of the exchange.
- Concerns expressed over Stemilt parcels, Klickitat agricultural lands, public access and ownership in Simcoe Mountains area, future use on exchanged trust lands, tax base.
- Support expressed for wildlife, open space, recreation, efficiency of trust management, blocking up, schools, and wildlife habitat.

#### Central Cascades Land Exchange Overall Benefits

- Protects existing trust assets and State of Washington investments
- Consolidates ownership of trust lands
- Facilitates the marketing of forest products on state lands
- Addresses forest health, sustainability, HCP benefits
- Increase in volume both now and in the future
- Provide social benefits – water quality, recreation, wildlife

MOTION: Terry Bergeson moved to approve resolution 1245.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously

**DISCUSSION:** Mr. Bare asked what happens to the lands that transfer out if they are in the HCP when the new owner takes them, and do the new lands that we acquire fall under the HCP or will they be managed differently.

Mr. Winslow explained that they completed the original HCP, and then added amendment one. Other than this harvest restriction, the trust lands conveyed will not be subject to ongoing commitments associated with DNR's HCP. The Department intends to convey these trust lands at this time but is not currently ready to add these acquired lands to the HCP; that may be done at a later time. The lands that we are acquiring fall under the Yakima Planning Area of the HCP. The Department wants to continue to study this area and we hope HCP designations in the next couple years. We may see a net loss of some HCP acres. Most of these parcels are not providing demographic support for owls, most of them are NO NSO Role and a couple parcels have dispersal designations.

Mr. Shelton added that we amended the HCP in the Klickitat Planning area a couple years ago and that has worked out well. We have been working with US Fish & Wildlife Services, and DNR's Tami Miketa, once these land exchanges come through we will have an opportunity to have that HCP fit our lands and provide better protection for the owl allowing us to deal with forest health issues and other things that come with that. Because of our current checkerboard ownership pattern the HCP has a restriction that says we have to manage our lands by Quarter Township, as we block up, that requirement doesn't make any sense.

Ms. Bergeson thanked everyone who was involved in this exchange.

Mr. Kaino added his thanks and support for all the hard work DNR staff has done to accomplish this task.

Mr. Nichols asked Steve Saunders if this is nested within a broader effort and if this blocking up is going to be continued for some time.

Mr. Saunders replied that this is correct and that staff are working on the South Stevens Exchange and hope to bring it before the Board in the next few months. The Department is also working on the exchange with WDFW which will complete the majority of the blocking up that was shown on the previous maps. He noted that there are also a couple of small exchanges in the Ahtanum area that are about a year out.

Mr. Nichols recalled that a couple years ago Bonnie Bunning had mentioned giving a status report on the Bureau of Land Management (BLM) in eastern



Washington. He asked if that is separate from this on the east slope of the cascades, or if it is more of the agricultural lands.

Mr. Saunders replied that it is a three party facilitated exchange and has been on the back burner for a while due to some delays on behalf of the BLM and steps that they have to go through in terms of a feasibility study and getting approval & funding. The most recent discussions with them suggest that this may be ready to start moving forward again with appraisals and the rest of the process in the next few months. That would get us out of some of the shrub step ownership and get it to BLM to manage, allowing the Department to pick up some agricultural properties and some good forestland in northeast region; private landowners would also have opportunities to block up as well. He hopes to have that completed within the next year and a half.

Chair Sutherland acknowledged the staff that have worked so hard over the past six years or more and commended the remarkable job they have done. He shared with his staff how proud he is of them.

## **CHAIR REPORTS**

### Recreation WAC Progress Report (Handout 5)

Bonnie Bunning and Doug McClelland approached the Board to present an update on the Recreation WAC Update.

Ms. Bunning thanked all the staff who worked on the exchange. She advised the Board that they are here today to talk about revising rules for recreation and public access on DNR managed lands. These rules are to guide the general public behavior in our managed lands across the state, including the state trust lands and also some aspects of our aquatic lands and natural areas. The different rules laid out in the package apply differently to the different kinds of lands depending on their management objectives; the management planning efforts also pertain. The rules have not been updated since the early 1970's and are important for protecting the natural resources and assets as well as the health and safety of the public. They don't cover decisions on how to manage sites or trails; they are aimed at letting the public know what is expected of them in terms of behavior when they are out there. It gives us the ability to enforce and control unacceptable behavior. This is a draft and if the Board agrees with it this is the time to put it forward for the public hearings phase and the last four to six months of the project in the form of a CR102 form to implement that. She introduced Doug McClelland, Asset and Recreation Manager from South Puget Sound Region to continue the discussion.

Mr. McClelland updated the Board on the background and the timeline of the project. He noted that there are seven key sections in the draft that he will review with them; leading up to a discussion of what the rules will do for the Department in the future. He pointed out that it has been over 30 years since the rules have been updated. In that time the population and the types and uses of recreation have changed significantly, and our land management has changed; the rules only specify a small part of the recreation landscape that we see today. The Board just approved an 80,000 acre forest that will need rules. He noted the current position on

the timeline, which means they will file the CR102 if they can, and will hold five public hearings around the state. The Department will continue to meet with recreation user groups to get the information out to them making certain that we are pointed in the right direction. He reminded the Board that they are the body that approves these rules, and they want to make certain that the user interests are reflected, and that we haven't missed any of the larger trust issues or anything that needs to be clarified. He recognized that we have large motorized events on our landscapes, as well as non motorized events such as hiking, running, mountain bicycles, horses, and kayaks; forest roads that need to be managed for the primary business of timber production. We have road access for motorized uses and how do they share roads or a trail that leads up to a road. In eastern Washington we have a different type of road access for snowmobiling or snow use or other activities. The diversity of our landscape from Colville to the Pacific Ocean, from Vancouver up to the Canadian border is very different; having rules that can apply to the diversity is very important. The Department also has a variety of facilities; some of them are quite primitive and some are state of the art. The rules need to address them. In addition there are also a variety of uses that need to be addressed, such as boat access, mooring buoys on certain aquatic lands, and interpretive sites in natural areas. He explained the document and the highlighted areas that he would be reviewing.

Mr. Kaino asked if they needed to go through the document since it was provided in the packet mailing and they have all had two weeks to read through the materials and have been briefed on it.

Mr. McClelland asked if the Board would like to move on to questions and not review the whole document.

The Board members agreed that they had all had time to review the materials so Mr. McClelland agreed to provide the Board with the highest level of important issues that may come forward as we move to the public hearing stage. He began by addressing the issue of capacity, which means we will deal with capacity issues in a positive manner. We will also need to address behavior on Department managed lands which will include firearms and target shooting. We had a lot of interest from the NRA and other organizations when we first started working on this, we worked with them on these rules and this is best management practices. We are much more clear and specific about what is appropriate on our lands than what is listed for other state lands such as Oregon and Idaho. He moved on to the reservation and recreation permits section. We don't have many places that require reservations but we need to be prepared for those that have high demands. The recreation permits are the licenses we use for those group events to protect us. We adopted some of the things that work well for state parks into our rule making for campgrounds use.

Chair Sutherland asked if the new rules make it absolutely clear that the public cannot move from campground to campground every 5 to 7 days.

Mr. McClelland explained that the public can go from campground to campground for a total of ten days, but you can no longer remain on Department managed lands. There is a clause about



residency that states that if there is evidence that you are setting up residency the Department doesn't have to wait nine days.

Mr. McClelland went on to review the unauthorized development of trails and structures. We have to let people know that it is a DNR managed trail system and that new trail construction will be something we will not tolerate. The users have created a lot of the trail systems that are out there so we will have to evaluate them and either adopt them or relocate them, but we need to make clear that for the development of structures or trails you need to come to the Department first.

Mr. McClelland provided the Board with an example of a sign that is used by state parks, the forest service and other agencies across the country to identify whether a road or trail is open or closed. He thinks the users will have issues with the signs, but the trails will be marked with them. They are in the process of mapping roads that are open and allow public access. They may adopt the green dot system across the landscape. It is important to have the rules read this way so that the public can't go out and take the sign down and then say there is no sign so I can ride on it; the sign has to be up to ride on the trail. He explained that most of these will be infractions and only a few that will be misdemeanors such as destruction of property, the firearms issues, fireworks, and unauthorized construction of recreational trails.

Mr. Kaino commented on the format and simplicity of the rules.

MOTION: Terry Bergeson moved to send the rules out for public comment and file a CR102 form.

SECOND: Mr. Kaino seconded.

ACTION: Motion passed unanimously

Mr. McClelland thanked Sasha Blume for her work on this project.

Chair Sutherland asked Mr. McClelland about the formal adoption in March or April.

Bonnie Bunning replied that it would be brought back before the Board at that time and they would vote to adopt the rules at that time.

#### Lake Whatcom request to re-convey lands (Handout 6)

Chair Sutherland and Bruce Mackey, Lands Steward briefed the Board about a request from Whatcom County to re-convey lands that are currently state forest board lands within the Lake Whatcom Watershed Planning Area back into a park.

Mr. Kaino asked Chair Sutherland to explain the request in more detail.

Chair Sutherland explained that their request is to ask for re-conveyance of those lands that we currently manage on their behalf within the Lake Whatcom Watershed Planning area.

Mr. Kaino asked if they were referring to 01, or 01 and 02.

Bruce Mackey replied just the state forest board lands which are 01 (Forest Board Transfer).

Chair Sutherland explained that the ownerships are intermixed so it would be difficult to comply with Whatcom County's request. The County is obligated to determine that it is park land and have it developed into the County's park lands. They have completed that activity and are asking us to re-convey this land back to them.

Mr. Kaino asked if this is just in this one watershed and what percentage of their overall 01 land they are asking to be transferred back to them.

Bruce Mackey replied that it is about 55 – 60% of the land in this watershed.

Chair Sutherland believes there are about 15,000 acres total and this would be about 8500 acres.

Chair Sutherland reviewed a slide that showed the layout of the ownerships and a chart revealing the sensitive lands such as steep slopes, and areas where there are major concerns which caused the Lake Whatcom plan to be developed in the first place. He also explained a layout of the conceptual outcome that the Department is working with Whatcom County to develop, showing the areas that would be re-conveyed back to the county, and the lands we would retain in the north end and the southeast end of the plan. That would require DNR to carry out an intergrant exchange to be able to assure that the ownerships are in blocks rather than intermingled. He noted that the Department is in discussions with Whatcom County to determine if we can comply with their requests to re-convey those lands back.

Ms. Bergeson asked if the County was buying the lands from us.

Chair Sutherland explained that the county owns them already and the Department manages the lands for them.

Ms. Bergeson asked Chair Sutherland to provide further background and explanation of the issue.

Chair Sutherland explained that there are 675 thousand acres in the state that were originally private lands but were returned to the counties for non-payment of taxes. The 1937 statute stated that the Department manages these lands for the counties. We have been generating upwards of \$75 million a year that benefits the counties through our management of these lands. Whatcom County is asking that rather than having the Department continue to manage these lands, they want them back. The statute states that they can ask that the lands be

returned to them under certain circumstances, that it can only be used for parks, and that it has to be part of their county park plan, and they have done that.

Mr. Mackey stated that he doesn't think they have done that but that they are going to do that. He is not sure they have completed the park plan.

Mr. Kaino stated that is not difficult to do.

Bruce Bare asked if the County completes the park plan do we have no choice.

Chair Sutherland stated we have no choice.

Mr. Mackey explained that the statute says that if they meet the park criteria and they ask for it the Department "shall" re-convey.

Ms. Bergeson asked if the revenue that we have been generating from these parcels would be gone.

Mr. Mackey stated that was correct. The County is deciding to forgo the income that is coming from those lands to the junior taxing districts in making the decision to re-convey for a park for the County.

Ms. Bergeson inquired as to whether the junior taxing districts have any say in that.

Mr. Mackey stated that they do not.

Mr. Bare asked what they are asking for.

Mr. Mackey asked the Board to look at the first map. He explained that the Department would do an intergrant exchange between the other trusts and the forest board lands and reconfigure all the federally granted and other trust lands. He outlined the lands that the County wants back and explained how the intergrant will keep operable units, reduce the impact and make the best use of those lands under the current plan for the other beneficiaries.

Mr. Kaino asked if we would get the non 01 trust lands out on the perimeter where we can actually harvest them.

Mr. Mackey stated that this would be the case.

Mr. Nichols stated that we are looking at the right way to do this so that the trust comes out in a favorable light.

Ms. Bergeson asked if they are agreeable to do this.



Chair Sutherland replied that we have had conversations with the County and we have agreed to try to get this concept put together so we can move ahead with it before the end of the year. He felt it was important to brief the Board and be prepared to make sure that the County Council and media understand what we are trying to accomplish. We have agreed to develop the concept with the County Executive and County Council ; we'll start work on the specifics some time next year.

Mr. Kaino asked if this would impact the issue with Skagit County's 01 and will it alleviate any of the concerns that they have.

Chair Sutherland replied that it won't unless we can get the Legislature to amend the current Lake Whatcom plan which is always a possibility.

Ms. Bergeson asked if the County didn't understand they had this option until recently.

Chair Sutherland stated that he thought they were aware of it from the beginning. He reminded the Board that much of the lands were private lands until the County came to the Department in the late 80's and asked DNR to do a land exchange, which we did because the County was concerned about the more aggressive management of the private sector.

Mr. Bare stated that it sounds like we are trying to have a working forest under the proposal.

Chair Sutherland agreed.

Ms. Bergeson asked why the County is requesting specific parcels and not taking the whole thing back.

Chair Sutherland replied that there are other trust lands there. He went on to explain the dynamics of the intergrant exchange.

Ms. Bergeson suggested that we go back to the Legislature and get a clearer direction on the ability to manage that land through the Department.

Chair Sutherland suggested that to be a 2009 activity. He wanted to inform the Board because he anticipates some public comments and media attention.

Ms. Bergeson asked what kind of comments they could expect.

Chair Sutherland replied that there are many people who don't want any trees cut. The Department needs to ensure that it is an equitable exchange and that we have laid out who is responsible for what.

Mr. Kaino stated that this has been a contentious issue and that no matter what we do; we will have a fair number of people who don't agree with it.

Ms. Bergeson stated that it would be nice to go through the problem solving process and to have as part of the agreement that we are going to manage the land.

Mr. Mackey stated that part of what we are trying to do is define who is going to manage it, and what kind of management responsibilities are there. DNR is being very clear that if they want the lands back we are not going to manage timber, etc. We are doing exactly what Ms. Bergeson was saying, developing a proposal that clearly defines how these are going to be managed and who is responsible for what. That should be done around the first of the year.

Ms. Bergeson asked if there needs to be a Legislative change to be able to allow things to be done the way the agreement between the Department and the County reads.

Chair Sutherland explained that there is no Legislative need; we can do it all except that the current management plan would still be applicable on the lands that we would retain. That's the point where we would take this to the Legislature and ask if it's reasonable to change the management regime on these currently managed trust lands.

Mr. Bare asked how many acres the County has in parks.

Chair Sutherland stated that he does not have that figure.

Mr. Kaino stated that in order for this to work the County has to be committed to the responsibility of managing this as park land once they acquire it, not just saying that they want it as park land just so DNR can't come in and cut trees. The County needs to understand that with the benefit comes responsibility. It is not acceptable to ask for park land, then turn around and ask the Department to manage the land because they don't have staff to do it. Also, we need to be able to manage the trust land on the perimeter.

Chair Sutherland recessed into Executive Session at 11:25 a.m. for the purposes of discussing ongoing litigation for a period not to exceed 20 minutes.

## **PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST**

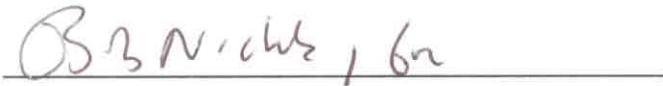
None

Meeting adjourned at 11:55 a.m.

Approved this 4 day of December, 2007



Doug Sutherland, Commissioner of Public Lands



Bob Nichols for Governor Christine Gregoire

*via conference call*

Terry Bergeson, Superintendent of Public Instruction

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Jon C. Kaino, Commissioner, Pacific County

*via conference call*

Bruce Bare, Dean, University of Washington

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Daniel J. Bernardo, Dean, Washington State University

Attest:



Bonita Hill, Board Coordinator





**Doug Sutherland**  
Commissioner of Public Lands

**MEMORANDUM**


**TO:** Fran McNair, Aquatic Lands Steward

**FROM:** Doug Sutherland, Commissioner of Public Lands

**DATE:** November 19, 2007

**SUBJECT:** Delegation of Signature Authority

During my absence November 26 thru December 9, 2007, I hereby appoint you the authority to sign all documents for the Washington State Department of Natural Resources on my behalf as Commissioner of Public Lands.

  
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Doug Sutherland  
Commissioner of Public Lands

Cc: Vicki Christiansen, Exec. Director of Regulatory Programs  
Bruce Mackey, Lands Steward  
Bonnie Bunning, Exec. Director of Policy & Administration  
Executive Support  
CPL File

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